Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

[redacted]

DEC 11 1995

In the Matter of	)	
	)	
Price Cap Performance Review for Local Exchange Carriers	)	CC Docket No. 94-1
	)	
Treatment of Operator Services Under Price Cap Regulation	)	CC Docket No. 93-124
	)	
Revisions to Price Cap Rules for AT&T	)	CC Docket No. 93-197

COMMENTS OF
COMPETITIVE TELECOMMUNICATIONS ASSOCIATION

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SUMMARY

The Second Further Notice, despite its length and scope, suffers from a fatal narrowness of vision. Its fundamental thesis is that granting additional pricing flexibility to the LECs, even in the absence of effective access competition, will inevitably drive access rates toward cost. Nowhere, however, does the Second Further Notice provide analysis to support this conclusion. Nor does it acknowledge the importance of several factors that undermine the Commission's thesis.

For example, the Second Further Notice does not recognize that above-cost access rates are a strategic resource that the LECs will use to foreclose competition in their traditional markets and subsidize entry into new markets. It disregards the fact that local competition, even if it flourishes, will not be a surrogate for most elements of switched access, and that unbundling of the local exchange will not enable IXCs to avoid inflated switched access charges by replicating LEC networks. It does not consider the consequences of removal of the MFJ's interLATA prohibition, including the likelihood that the RBOCs will use access pricing flexibility to confer undue preferences on their affiliated interexchange operations. And, it ignores the fact that IXCs pay far more to interconnect to the local exchange than other entities using the same facilities to provide competing services.

In short, the Second Further Notice proposes to revise the price cap rules without confronting the impact of broader, highly significant marketplace developments. Such an approach virtually guarantees adverse and unanticipated consequences for competition and consumers. Rather than pursuing this artificially narrow approach, the Commission should reform its price cap rules as part of a comprehensive re-examination of access charges, interconnection to the local exchange, and the likely impact of elimination of the MFJ restrictions. The ultimate goal should be to price interconnection based on direct cost, with all interconnecting entities paying non-discriminatory rates, and rate relationships reflecting rational distinctions between services that use the same facilities.

In the instant docket, the Commission should take two steps down the path to this critical objective. First, it should require that, pending rationalization of access cost recovery, fixed and overhead costs be recovered in a competitively neutral manner based on rational rate relationships. Second, it should adopt safeguards, including reporting requirements, cost justification standards, and new service implementation rules, to ensure that LECs do not favor their interexchange affiliates.

The Commission should refrain from adopting most of the proposals in the SFNPRM, including contract-based rates, APPs reflecting additional volume or term discounts, and revision of baskets and service categories to reflect perceived levels of competition. These measures would exacerbate rather than reduce the anticompetitive effects of above-cost pricing of access. CompTel does not object, however, to allowing greater downward pricing flexibility, as long as rates are lowered in a non-discriminatory fashion for all services using the same facilities and any subsequent rate increases are cost-justified. In addition, CompTel supports allowing LECs to introduce new switched access rate elements upon a public interest showing rather than a waiver of the existing Part 69 rules, pursuant to safeguards against discrimination. Such measures, combined with the other steps discussed herein, will effectively advance the Commission's laudable goals for this proceeding.

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COMMENTS

The Competitive Telecommunications Association ("CompTel"), by its attorneys, respectfully submits its comments regarding the above-captioned proposals to modify the local exchange carrier price cap rules.[1] CompTel believes the Second Further Notice is seriously flawed in three respects. First, it assumes, without supporting analysis, that the LECs would use broad, untargeted pricing flexibility to reduce above-cost access rates, rather than to advance their own strategic objectives. Second, it fails to recognize the need for strict non-discrimination safeguards and rationalization of access rate relationships in advance of RBOC entry into the long distance market. Third, it does not acknowledge the transformation of local networks into distribution media for a variety of competing services, each of which uses the local network in essentially the same way, yet currently pays different rates.

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[1] FCC 95-393 (released Sept. 20, 1995) ("Second Further Notice").

In lieu of granting the LECs virtually unchecked discretion to alter access rates, the Commission should adopt rules that preclude discrimination and assure economically rational rate relationships. Pricing flexibility should be limited to those retail services where competition exerts a check on LEC market power. To address the pricing of wholesale access services, the Commission should initiate a comprehensive access reform docket with the goal of assuring that all entities interconnecting with the local network pay non-discriminatory rates based on direct costs. Unlike many of the proposals in the Second Further Notice, these measures will achieve the Commission's goals of minimizing regulation, promoting long distance competition, and affording sufficient opportunity for the LECs to compete fairly.

I. DESCRIPTION OF THE COMMISSION'S PROPOSALS

The Commission proposes to relax its regulation of LEC access offerings in three steps. Initially, it suggests loosening price cap pricing constraints by eliminating the lower service pricing band, allowing "alternative pricing plans" ("APPs"), including expanded volume and term discounts, and lowering hurdles to introduction of certain "new" services.[2] The Second Further Notice seeks comment on whether these measures should be adopted regardless of the degree of competition, or

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[2] Second Further Notice at ¶¶ 33-34 (general discussion), 52-59 (APPs), 45-49 (new services), 75-83 (removal of lower service band index).

whether relaxed regulation should be triggered by a competitive showing.[3] If competition is deemed relevant, the Commission tentatively concludes that lowering entry barriers to local competition is the most appropriate prerequisite to additional pricing flexibility.[4]

As a second step toward deregulation, the Commission proposes to adopt streamlined regulation for a LEC service when that service is subject to "substantial competition," based on considerations of demand responsiveness, supply responsiveness, market share, and pricing trends.[5] Under streamlined regulation, LECs would be permitted to file tariffs that are presumed lawful, on fourteen days' notice, without cost support.[6] In addition, LECs would be permitted to "offer contract prices for access services that the Commission has found subject to substantial competition and are subject to streamlined regulation, provided the contract rates are made generally available to similarly situated customers under substantially similar circumstances."[7]

Finally, the Commission asks whether it should adopt rules that would define the conditions LECs must meet to be declared non-dominant. The Commission also suggests that it may be

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3 Id. at ¶¶ 84, 103 (Issue 10a).

4 Id. at ¶ 106.

5 Id. at ¶ 133.

6 Id. at ¶ 129.

7 Id. at ¶ 148.

appropriate to declare LECs non-dominant in new geographic markets outside their traditional regions, and for particular in-region services where the LEC lacks market power.[8] Non-dominant LECs would be permitted to file tariffs on one day's notice without cost support.

The asserted goals of these proposals are

> to benefit consumers by (1) encouraging market-based prices that reflect the cost of service; (2) encouraging efficient investment and innovation; (3) encouraging competitive entry in the interstate access and related local exchange markets; and (4) permitting us to regulate noncompetitive markets in the most efficient and least intrusive way.[9]

In assessing the degree of pricing flexibility that is warranted, the Commission proposes "to limit the relaxation of regulation to that which will not cause competitive harm as defined herein."[10] Competitive harm, in turn, is defined "to include LEC actions that could adversely affect competition in the interexchange market, which would collaterally harm long distance users."[11]

II. PRICE CAP REFORM EFFORTS MUST RECOGNIZE THAT ACCESS RATE LEVELS ARE EXCESSIVE, AND THAT PENDING DEVELOPMENTS THREATEN TO EXACERBATE THE ADVERSE EFFECTS OF ABOVE-COST ACCESS CHARGES ON COMPETITION AND CONSUMERS.

Despite the Commission's good intentions, CompTel is concerned that the Second Further Notice proposes to grant a

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8 Id. at ¶¶ 153-156.

9 Id. at ¶ 1.

10 Id. at ¶ 29.

11 Id. at ¶ 28.

destructive degree of pricing flexibility. As explained below, this concern is based on four fundamental realities of the access market, none of which is adequately acknowledged in the Second Further Notice: access charges currently are priced well above cost; local competition, even if it flourishes, will not result in competition for most elements of switched access; RBOC entry into the long distance market would greatly exacerbate the risk of discriminatory and anticompetitive access offerings; and rates for equivalent uses of the local network are diverging, distorting competition in the long distance, interexchange access, and local service markets.[12]

A. Switched Access Rates Substantially Exceed Underlying Costs.

It is axiomatic that the primary goal of rate regulation is to assure that prices charged by an entity with market power are cost-based. Rates that reflect underlying costs assure efficient investment decisions by consumers. For this reason, cost-based rates assume particular importance in the switched access market, where the input comprises a significant portion of the costs of the retail product (long distance). Cost-based switched access rates will spur efficient provision and consumption of

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[12] CompTel focuses these comments on switched access because those services comprise a significant majority of the access market, they are competitively critical to the provision of long distance services, and they will remain a virtual monopoly for the foreseeable future. With respect to special access, CompTel notes that the LECs already enjoy tremendous pricing flexibility, and that there has been no demonstration that further deregulation is needed to allow them to respond to incipient special access competition.

interexchange services; above-cost rates depress demand and injure consumers. Under the current price cap and access charge rules, switched access rates are grossly above cost.

CCLC and RIC. The carrier common line and residual interconnection charges are indisputably uneconomic. These charges are pure contribution, assessed on a non-cost causative basis. Presumably, no industry segment believes that these charges represent a rational recovery of underlying costs.[13]

Even those access elements that are purportedly based on cost are, in reality, priced at excessive levels:

Local switching. Evidence adduced in state regulatory proceedings shows that local switching is priced at high multiples of underlying costs. In Washington, for example, the Utilities and Transportation Commission recently rejected an attempt to raise local switching rates 57 percent in advance of the introduction of local competition. U.S. West's witness conceded that the increase was not cost-based, and that in fact, the carrier's local switching costs had been "dramatically reduced." Rather, the rate hike was sought solely to produce

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[13] In this regard, Bell Atlantic recently conceded that "all of BA-Maryland's local transport rate elements are priced above costs," and the RIC, rather than recovering transport-related costs, "is a subsidy element designed to support universal service." Letter from David K. Hall, Vice President and General Counsel, Bell Atlantic-Maryland, to Daniel P. Gahagan, Executive Secretary, Maryland PSC, dated April 17, 1995, at 4 & n.3 (Attachment 1 hereto).

additional contribution.[14] Similarly, data presented to the Florida PSC evidences that BellSouth's interstate local switching rates are roughly four times its switching costs.[15]

Transport. The dedicated and common switched transport elements are priced above cost. The amount by which these rates exceed cost, however, may not be fully appreciated. For example, BellSouth has revealed that its DS3 dedicated transport device is priced at 3.59 times direct service costs, and tandem-switched transport is priced at 2.85 to 3.85 times direct cost, depending on the state.[16] These unreasonably high rates depress long distance usage and injure consumers.

In addition, the extent to which the DS1 and tandem-switched transport options are priced above cost disadvantages smaller carriers and provides incentives to configure access networks in

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[14] Washington Utilities and Transportation Commission v. U.S. West Communications, Inc., Docket No. UT-941464, Fourth Supplemental Order Rejecting Tariff Filings and Ordering Refiling, released Oct. 31, 1995, at 83 & n.22 ("WUTC Order") (Attachment 2 hereto).

[15] Compare BellSouth Telecommunications, Inc., Tariff F.C.C. No. 1, 9th Revised Page 6-161, § 6.8.2(a), with Southern Bell Telephone & Telegraph Company, Present and Proposed Rates and Revenues: E006 Switched Access Service, MFR Schedule E-1A, Fla. PSC Docket No. 92-0260-TL, page 988 of 1040.

[16] BellSouth Response to Application for Enforcement Filed By The Competitive Telecommunications Association, filed with the U.S. Department of Justice, December 2, 1994, at 46 & n. 107. CompTel does not necessarily agree with BellSouth's calculations, or with its conclusions regarding the effect of its pricing decisions on interexchange competition. Nonetheless, these figures indicate considerable recovery of excess costs through transport rates.

an uneconomic fashion. For example, in its comments on the Notice of Proposed Rulemaking in Docket No. 94-1, CompTel provided sworn testimony from state proceedings -- to which the Commission has never responded -- establishing that "the LECs place a proportionately greater amount of overhead costs on non-competitive [transport] services (that will be purchased by smaller IXCs) and a proportionately lesser amount on potentially competitive services (that will be purchased by AT&T)."[17] CompTel similarly noted that "evidence adduced in state proceedings shows indefensibly high overhead loadings on tandem switching."[18]

The Second Further Notice nowhere discusses the competitive and consumer consequences of above-cost access rates. Nor does it explain why, in the absence of switched access competition, LECs would use additional pricing flexibility to lower above-cost rates, rather than pursuing their own strategic objectives. Instead, it suggests that, if competition is at all relevant to access deregulation, then removal of barriers to local entry should justify reduction of access pricing constraints.[19] As the

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[17] CompTel Comments, CC Docket No. 94-1, filed May 9, 1994, at 10, 6 n.7 (citing testimony of a BellSouth witness before the Georgia PSC).

[18] Id. at 7-8 (citing a BellSouth concession that its FCC-tariffed tandem switching charge reflects an overhead loading factor greater than 5:1, id. at n.10).

[19] Second Further Notice at ¶¶ 106-108.

next section of these comments explains, this assumption is entirely without merit.

B. Local Competition Will Not Provide Incentives To Correct Access Price Levels and Rate Relationships.

1. Local Competition Is Not A Proxy For Switched Access Competition

Emerging local competition will not diminish the LECs' ability to price switched access services in a discriminatory, non-cost based manner. As the Commission acknowledges, there is a dichotomy between selection of the local service provider and payment for access.[20] This mismatch is especially important because the vast majority of switched access revenues are recovered at the first point of switching -- that is, the local switch that provides dial tone to the end user. Revenues associated with this point are the carrier common line charge, the local switching charge, and the interconnection charge, which together account for more than 90 percent of an IXC's switched access costs.

The provider of this first point of switching, of course, is decided by the end user's choice of local telephone company, not the IXC's "choice" of switched access vendor. Local service providers will compete for subscribers through retail price competition -- not by offering lower prices to long distance

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[20] Id. at ¶ 27.

carriers.[21] An IXC, however, cannot change switched access vendors without convincing its subscribers to change local service providers. Accordingly, even if local competition should flourish, there is little realistic prospect that most elements of switched access will ever face competitive pricing pressures.

The conclusion that local competition is not a proxy for access competition is confirmed by experience in Washington, Illinois, and Maryland. In Washington, U.S. West sought to raise local switching rates 57 percent, implicitly recognizing that local competition might reduce transport revenues but would not threaten switching.[22] In Maryland, MFS has been authorized to provide competitive local telephone service since 1994. Tellingly, its switched access rates demonstrate that competitive pressures do not exist for any switched access element except dedicated transport. The rates for all other elements -- including the carrier common line, tandem switched transmission, the interconnection charge, and local switching -- are identical to Bell Atlantic's. The same is true in Illinois and Texas, as the following chart illustrates:

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[21] If a local service provider did not also offer long distance services, it <u>might</u> attempt to gain subscribers by offering lower access rates to IXCs and using the prospect of lower long distance rates in marketing to potential local service customers. After the RBOCs are allowed into the interexchange market, however, there will be few, if any, significant local service providers that are not also in the long distance business.

[22] WUTC Order, <u>supra</u> note 14.

RATE CATEGORY	INCUMBENT RBOC	MFS
ILLINOIS		
Orig CCLC	.005046	.005046
TERM CCLC	.005046	.005046
Local Switching	.008563	.008563
Interconnection	.007159	.007159
MARYLAND		
Orig CCLC	.005692	.005692
TERM CCLC	.005692	.005692
Local Switching	.006788	.006788
Interconnection	.005888	.005888
TEXAS		
Orig CCLC	.007778	.007778
TERM CCLC	.007778	.007778
Local Switching	.007723	.007737
Interconnection	.006433	.006433

Source: MFS FCC Tariff No. 2, Effective 9/1/95
Ameritech FCC Tariff No. 2, Effective 8/1/95
BA FCC Tariff No. 1, Effective 8/1/95
SWB FCC Tariff No. 73, Effective 8/1/95

In fact, there is a risk that local competition will not only "delay efficient pricing for access services," as the Commission concedes,[23] but actually will cause switched access rates to depart even further from cost. Incumbent LECs will have every incentive to offset declining revenues from their local services with increased rates for non-competitive switched access

[23] Second Further Notice at ¶ 27.

services.[24] Consequently, local competition will not force switched access rates toward cost and cannot justify substantial pricing flexibility for access services.

2. Local Competition Will Not Enable IXCs To Avoid Above-Cost Access Charges By Replicating the Local Network.

Nor will local competition permit IXCs readily to lower access rates by establishing their own integrated long distance/local networks. As a theoretical option, an IXC could construct a full facilities-based local network, including interoffice transport links, dozens of local switches in each LATA, and millions of access lines. The IXC also would have to replicate a host of support systems, including remote surveillance, alarm response, dispatch maintenance, traffic analysis and engineering, loop testing, and service ordering. Given the tremendous expense involved, the prospect of a fully duplicative local network being built by an IXC or any other entity is minimal.

Even if the local network is unbundled, there would still be no appreciable prospect of switched access rates migrating closer to underlying costs. In concept, the availability of unbundled local loops would enable a long distance carrier to avoid some above-cost inflated originating access charges by installing its own inter-office transport facilities and local switches and

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[24] New LECs will have every incentive to follow this example, so they can use the excess access revenues to fund their facilities build-out.

reselling LEC loops. For most locations and most IXCs, however, there are several practical constraints on doing so, which severely undermine the utility of this approach:

-- First, there is no basis to expect extensive duplication of the local telephone industry's switching capacity by long distance carriers in the foreseeable future -- the task is simply too large. In 1993, the LECs switched roughly ten times as many calls as long distance carriers.[25] AT&T, with sixty percent of the long distance market, serves the entire nation from 134 switches; the RBOCs and independent LECs in the aggregate have more than 18,000 switches.[26]

-- Second, existing IXC switches cannot be used to provide local switching in any event. Toll switches are highly specialized machines used solely to connect high speed trunk lines between major cities; it is infeasible to upgrade toll switches to provide local service. Local switches, in contrast, are general, multi-purpose machines with ports dedicated to subscriber loops, entirely different features, and highly complex operating software that frequently enables them to provide both local and toll service.

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[25] According to the FCC's *Statistics of Communications Common Carriers, 1993/94 Edition*, at Table 2.10, the LECs switched over 525.5 billion calls and the IXCs switched approximately 54.3 billion calls.

[26] Industry Analysis Division, *Infrastructure of the Local Operating Companies Aggregate to the Holding Company Level* (April 1995).

-- Third, unbundled loops require physical configurations in the network each time a customer changes its local carrier. Unlike the equal access presubscription process, which uses software to identify each customer's long distance carrier of choice, physical circuit re-arrangements are time-consuming to effect and limited in capacity.

-- Finally, any IXC deploying its own switches still would have to replicate all of the LEC's operational support functions, as noted above. For these reasons, the Commission cannot reasonably expect IXCs to be able to avoid or minimize switched access charges through reselling local loops for the foreseeable future.

C. RBOC Entry into the Long Distance Market Would Exacerbate the Adverse Competitive Impact of Non-Cost Based Switched Access Rates.

The Second Further Notice is disturbingly silent on the regulatory issues raised by prospective RBOC entry into the long distance market. Such silence is particularly troubling because the RBOCs will be able to enter the long distance market full-scale as soon as the MFJ prohibition is eliminated. Many RBOCs have a facilities-based "official services" network easily capable of handling the substantial proportion of long distance traffic that is in-region. Moreover, there is a mature wholesale long distance market, which the RBOCs can tap to provide out-of-region services if they do not decide simply to interconnect each other's in-region long distance networks.

RBOC entry into the long distance market will virtually assure that switched access rates stay above cost and will greatly exacerbate the incentives and opportunities for anticompetitive pricing. First of all, the unconscionable profits built into existing access rates are an invaluable resource for LECs that provide long distance. Those profits will enable the LECs to introduce toll services at rates that barely recover access costs, undermining their competitors and buying market share. The company will still enjoy a healthy overall return, and will have no incentive to reduce access charges for its long distance rivals. In contrast, if access charges are cost-based, all long distance providers would share the same real cost of access and compete based on skill and expertise, without the benefit of captive, uneconomic profits.

In addition, RBOC entry into the long distance market plainly aggravates the risk of discriminatory switched access pricing. Under the existing price cap rules, the RBOCs will face little constraint in developing access offerings that are uniquely suitable -- and extremely advantageous -- to their interexchange affiliates.[27] If additional pricing flexibility is granted, such as liberalized new service rules and contract-based rates, then any such constraints will be illusory.

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[27] See Section IV.A, infra.

D. <u>Switched Access Rates Are Far Above Prices for Comparable Uses of Local Network Facilities.</u>

The local network is no longer just a vehicle for providing access and monopoly local services. Rather, the very same loops, switches, and interoffice links are used by "traditional" IXCs to originate and terminate long distance calls, by competitive local service providers to interconnect with incumbent LECs and offer their own local and long distance services, by information service providers to connect subscribers to "enhanced" services, and by the LECs themselves to offer competing long distance and information services. Today, however, rates for these comparable users differ greatly, with IXCs paying more than other interconnectors.

For example, a recent decision in Illinois acknowledged that local interconnection of competitive local exchange carriers is functionally equivalent to switched access, but determined that access prices are so far above cost that they should not be used in determining interconnection rates for new local service providers.[28] The Illinois Commerce Commission accordingly set end office termination rates (based on long-run incremental

[28] Proposed Introduction of a Trial of Ameritech's Customers First Plan in Illinois, Nos. 94-0096, 94-0117, 94-0146, and 94-0301 (Ill. Commerce Commission April 7, 1995), at 97 (noting that "the model for reciprocal compensation for the exchange of traffic between incumbent and new LECs cannot be based on the current levels of Illinois Bell's switched access charges," because "potential competitors would be subject to an anticompetitive price squeeze in which it literally would be impossible for them to establish a competitive price for local calling.") (Attachment 3 hereto).

costs) at less than one-fourth of the interstate switched access equivalent, and tandem termination rates less than one-third of the interstate switched access equivalent.[29]

Similarly, the New York Public Service Commission has approved a local interconnection rate structure under which facilities-based local service providers pay lower access charges than interexchange carriers. The PSC recognized that, "[f]rom the perspective of competitive equity and economic efficiency, it would be desirable to have access charges, both toll and local, priced at incremental cost. "Nonetheless, the new rate structure gives such rates only to local service providers, "to encourage the development of meaningful local competition while continuing to support universal service."[30]

This situation is untenable. CLECs can offer long distance services using their local interconnection facilities (which are the same links used by IXCs for access), but avoid the tremendous subsidies built into access charges. As distinctions between previously separate industry segments -- IXCs, ESPs, CAPs, LECs, and CLECs -- rapidly evaporate, interconnection pricing based on

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[29] Letter from Genevieve Morelli, Vice President and General Counsel, CompTel, to William F. Caton, Acting Secretary, Federal Communications Commission, dated June 22, 1995. These rates reflect direct cost plus a reasonable contribution to fixed costs and overhead.

[30] Proceeding To Examine Issues Related to the Continuing Provision of Universal Service and To Develop a Regulatory Framework for the Transition to Competition in the Local Exchange Market, Case 94-C-0095 (Sept. 27, 1995), at 13 (Attachment 4 hereto).

the identity of the interconnector becomes indefensibly arbitrary. Comparable uses of the local network must be comparably priced.

III. PRICE CAP REFORM EFFORTS MUST BRING SWITCHED ACCESS RATES CLOSER TO UNDERLYING COSTS AND PREVENT DISCRIMINATION.

The preceding section of these comments demonstrated that reform of the price cap rules, standing alone, will not result in cost-based access rates. Existing access charges, both for specific services and in relation to each other and to charges for similar services, are so irrational that tinkering with baskets and bands cannot possibly drive prices down to costs. Moreover, the current system unjustifiably permits one firm in a market -- an incumbent LEC -- to recover excessive costs from retail competitors in the long distance market through inflated pricing of monopoly input services. This keeps retail prices uneconomically high, distorts competition, injures consumers, and creates no incentive for the LEC to become more efficient and thereby reduce its overhead.

What is needed is fundamental, bottom-up reform of the access charge system based on three paramount principles.[31]

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[31] CompTel commends the Commission for announcing its intention to commence an access charge reform proceeding. *See* Speech by Reed Hundt, Chairman, FCC, to CompTel Fall Business Conference, October 10, 1995, at 3 (stating that "we need to reform access charges" and that it is time to convert access charges to "economically rational pricing"). The principles set forth in this paragraph will be

(continued...)

First, rates for interconnection with the local network must be set at direct cost and must not differ depending on the identify of the interconnecting entity. Second, rate relationships between comparable services must be rational. Third, each service provider must recover its overhead from retail customers, not competitors.

CompTel acknowledges that such elemental reform will raise thorny jurisdictional and political questions. More importantly, it will require the Commission to consider underlying costs, rather than assuming that pricing flexibility inevitably will be used to set rates at economic levels. Such a process will take time, although many states already have compiled cost data that should significantly lessen the burden on the Commission.

Because access reform will not happen overnight, this section of CompTel's comments recommends precepts for price cap reform that will pave the way for rationalization of the access charge system while minimizing the risk to long distance competition and consumers. The Commission must recognize, however, that the changes recommended herein, while necessary, are not sufficient to realize the goals of this proceeding.[32] Accordingly, the process of reforming access charges should be initiated promptly and concluded as expeditiously as possible.

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[31] (...continued)
comprehensively discussed in CompTel's comments in that docket.

[32] Second Further Notice at ¶ 1.